遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

RESULTS

The board of directors (the "Board") of Far East Holdings International Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2008 together with the comparative figures for the corresponding period in 2007 are set out as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December, 2008

	NOTES	2008 HK$	2007 HK$
Gross proceeds	2	**83,391,455**	77,128,645
Revenue	2	**22,719,773**	28,867,707
Cost of sales		**(24,076,515)**	(25,948,543)
Gross (loss) profit		**(1,356,742)**	2,919,164
Dividend income from available-for-sale investments		**336,461**	237,419
Dividend income from held-for-trading investments		**877,127**	1,360,914
(Decrease) increase in fair value of held-for-trading investments		**(14,898,046)**	3,903,265
Other income		**1,669,607**	3,342,597
Selling and distribution costs		**(4,815,178)**	(134,019)
Administrative expenses		**(19,343,073)**	(15,590,561)
Finance costs		**(572,230)**	(1,206,786)
Impairment loss on goodwill arising from acquisition of subsidiaries		**(13,200,000)**	–
Impairment loss on goodwill arising from acquisition of jointly controlled entities		**(7,508,651)**	–
Impairment loss on available-for-sale investments – listed		**(4,328,372)**	–
Impairment loss on available-for-sale investments – unlisted		**(1,486,390)**	–
Impairment loss on other non-current assets		**(977,000)**	–
(Loss) gain on disposal of available-for-sale investments		**(10,773,306)**	608,909
Imputed interest on debt component of convertible note		**–**	195,886
Gain on conversion of convertible notes		**–**	3,660,123
Increase in fair value of derivative financial instruments		**(108,940)**	–
(Decrease) increase in fair value of investment properties		**(535,000)**	10,488,900
Gain on disposal of interest in an associate		**–**	28,322,820
Loss on dilution of interests in subsidiaries		**(2,104,562)**	–
Net gain on deemed disposal of an associate		**126,658**	40,687,735
Share of results of associates		**8,951,462**	17,455,559
Share of results of jointly controlled entities		**(452,913)**	–

	NOTES	2008 HK$	2007 HK$
(Loss) profit before taxation	3	**(70,499,088)**	96,251,925
Taxation credit	4	**68,668**	592,093
(Loss) profit for the year		**(70,430,420)**	96,844,018
Attributable to:			
Equity holders of the Company		**(66,244,064)**	97,388,003
Minority interests		**(4,186,356)**	(543,985)
		(70,430,420)	96,844,018
Dividend – paid	5	**3,028,379**	–
			(restated)
		HK cents	*HK cents*
(Loss) earnings per share	6		
– Basic		**(30.9)**	43.8
– Diluted		**(30.8)**	37.2

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	NOTES	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Investment properties		**23,695,000**	24,230,000
Property, plant and equipment		**20,954,975**	15,916,020
Prepaid lease payments		**23,674,795**	24,203,079
Goodwill		**27,126,740**	–
Interests in associates		**125,160,583**	103,343,924
Interests in jointly controlled entities		**36,643,014**	–
Available-for-sale investments		**21,867,832**	38,852,163
Other non-current assets		**10,644,111**	5,270,343
		289,767,050	211,815,529
CURRENT ASSETS			
Prepaid lease payments		**598,255**	653,137
Held-for-trading investments		**32,290,812**	43,037,774
Inventories		**4,256,579**	6,515,532
Trade and other receivables	7	**2,523,968**	1,123,398
Amount due from a director		**–**	22,102,762
Amount due from an associate		**–**	639,629
Amount due from a minority shareholder		**3,056,594**	2,319,650
Amounts due from a related company		**8,700**	4,486,932
Tax prepaid		**106,079**	121,173
Deposits held at financial institutions		**3,177,458**	10,889,735
Bank balances and cash		**26,564,028**	82,686,579
		72,582,473	174,576,301
CURRENT LIABILITIES			
Trade and other payables	8	**10,430,003**	10,598,332
Amounts due to directors		**1,630,331**	1,476,187
Amount due to a minority shareholder		**297,038**	297,038
Amounts due to related companies		**1,557,088**	1,593,635
Derivatives financial instruments		**108,940**	–
Bank and other loans			
– due within one year		**5,918,096**	9,014,618
Dividend payable to a minority shareholder		**175,036**	–
Obligations under finance leases			
– due within one year		**410,457**	136,044
		20,526,989	23,115,854

	NOTES	2008 HK$	2007 HK$
NET CURRENT ASSETS		**52,055,484**	151,460,447
TOTAL ASSETS LESS CURRENT LIABILITIES		**341,822,534**	363,275,976
CAPITAL AND RESERVES			
Share capital		**3,028,379**	1,304,506
Reserves		**298,923,427**	326,793,873
Equity attributable to equity holders of the Company		**301,951,806**	328,098,379
Minority interests		**22,292,656**	17,107,688
		324,244,462	345,206,067
NON-CURRENT LIABILITIES			
Bank and other loans – due after one year		**16,794,481**	17,633,489
Obligations under finance leases – due after one year		**551,746**	113,905
Deferred taxation		**231,845**	322,515
		17,578,072	18,069,909
		341,822,534	363,275,976

Notes:

1. **Application of New and Revised Hong Kong Financial Reporting Standards**

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – INT 17	Distributions of Non-Cash Assets to Owners[3]
HK(IFRIC) – INT 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.
[2] Effective for annual periods beginning on or after 1st January, 2009.
[3] Effective for annual periods beginning on or after 1st July, 2009.
[4] Effective for annual period ending on or after 30th June, 2009.
[5] Effective for annual periods beginning on or after 1st July, 2008.
[6] Effective for annual periods beginning on or after 1st October, 2008.
[7] Effective for transfers on or after 1st July, 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 23 (Revised) eliminates the option to expense all borrowing costs when incurred. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Business and Geographical Segments

Business segments

Segment information about these businesses is presented below.

2008

	Securities investment and trading *HK$*	Property development and investment *HK$*	Industrial – manufacturing and sale of garment *HK$*	Provision of background music and music licensing services *HK$*	Consolidated *HK$*
Gross proceeds	**60,671,682**	**897,072**	**20,405,563**	**1,417,138**	**83,391,455**
Revenue	**–**	**897,072**	**20,405,563**	**1,417,138**	**22,719,773**
RESULTS					
Segment results	**(41,058,721)**	**(1,348,661)**	**(1,076,270)**	**(27,514,519)**	**(70,998,171)**
Other income					**1,669,607**
Finance costs					**(572,230)**
Unallocated expenses					**(9,223,501)**
Net gain on deemed disposal of an associate					**126,658**
Share of results of associates					**8,951,462**
Share of results of jointly controlled entities					**(452,913)**
Loss before taxation					**(70,499,088)**
Taxation credit					**68,668**
Loss for the year					**(70,430,420)**

2007

	Securities investment and trading *HK$*	Property development and investment *HK$*	Industrial – manufacturing and sales of garment *HK$*	Consolidated *HK$*
Gross proceeds	48,260,938	1,160,966	27,706,741	77,128,645
Revenue	–	1,160,966	27,706,741	28,867,707
RESULTS				
Segment results	1,450,709	8,958,457	(1,475,085)	8,934,081
Other income				3,342,597
Finance costs				(1,206,786)
Unallocated expenses				(1,284,081)
Gain on disposal of interest in an associate				28,322,820
Net gain on deemed disposal of an associate				40,687,735
Share of results of associates				17,455,559
Profit before taxation				96,251,925
Taxation credit				592,093
Profit for the year				96,844,018

3. (Loss) Profit before Taxation

	2008	2007
	HK$	*HK$*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Allowance on inventories (included in cost of sales)	**–**	987,078
Amortisation of prepaid lease payments	**655,954**	653,137
Auditor's remuneration	**1,552,000**	902,632
Cost of inventories recognised as expense	**18,717,465**	24,931,880
Royalty payment for background music and music licensing (included in cost of sales)	**5,343,116**	–
Depreciation	**2,293,552**	2,783,411
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$1,264,134 (2007: HK$969,000)	**12,429,722**	11,847,981
Exchange loss, net	**2,427,577**	507,890
Loss on disposal of property, plant and equipment	**28,129**	–
Operating lease in respect of rented premise	**257,692**	337,760
Share of tax of associates (included in share of results of associates)	**1,340,896**	1,390,762
Amount due from an associate written off	**639,629**	–
and after crediting:		
Dividend income from available-for-sale investments	**336,461**	237,419
Rental income from investment properties, less outgoings of HK$16,038 (2007: HK$29,585)	**881,034**	1,131,381

4. Taxation Credit

	2008	2007
	HK$	*HK$*
The taxation credit comprises:		
PRC enterprise Income Tax:		
Current year	**22,002**	62,080
Underprovision in prior years	**–**	40,455
	22,002	102,535
Deferred taxation	**(90,670)**	(694,628)
	(68,668)	(592,093)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC was increased from 24% to 25% from 1st January, 2008 onwards.

PRC Enterprise Income Tax is calculated at tax rate of 25% (2007: 24%). One of the Group’s subsidiaries in the PRC was entitled to enjoy a concessionary tax rate of 12% in 2007 as its export sales exceeded a certain percentage.

5. Dividend

	2008	2007
	HK$	*HK$*
Dividend recognised as distribution during the year:		
2007 final dividend – HK2 cents per share	**3,028,379**	–

6. (Loss) Earnings per Share

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$	*HK$*
Earnings:		
(Loss) profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	**(66,244,064)**	97,388,003
Effect of dilutive potential ordinary shares of associate based on dilution of earnings per share	**–**	(11,611,893)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(66,244,064)**	85,776,110

	2008	2007
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**214,369,788**	222,583,382
Effect of dilutive potential ordinary shares of share options	**935,402**	8,067,698
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**215,305,190**	230,651,080

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share have been adjusted for the bonus issue on 10th June, 2008 for both years.

No adjustment has been made for the potential ordinary shares of associate as the effect in 2008 is anti-dilutive.

7. Trade and Other Receivables

For sales of goods, the Group has a policy of allowing a credit period of 30 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on receipt of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	2008	2007
	HK$	*HK$*
Current:		
0 – 30 days	**245,952**	–
Past due:		
31 – 60 days	**429,664**	600,967
61 – 90 days	**113,186**	–
Over 90 days	**125,989**	26,222
Total trade receivables	**914,791**	627,189
Other receivables	**1,609,177**	496,209
	2,523,968	1,123,398

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$668,839 (2007: HK$627,189) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the debtors and settlement after the balance sheet date. The Group does not hold any collateral over these balances. Trade receivables which are neither overdue nor impaired are in good quality with reference to past payment history.

8. Trade and Other Payables

The aged analysis of trade payables is as follows:

	THE GROUP	
	2008	2007
	HK$	*HK$*
0 – 30 days	**5,291**	180,121
31 – 60 days	**11,856**	–
61 – 90 days	**2,110**	–
Over 90 days	**39,066**	51,823
Total trade payables	**58,323**	231,944
Other payables	**10,371,680**	10,366,388
	10,430,003	10,598,332

DIVIDEND

No interim dividend was paid during the year and the Board did not recommend a final dividend.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

For the year ended 31st December, 2008, the Company and its subsidiaries (the "Group") recorded gross proceeds from operations of approximately HK$83.39 million (2007: HK$77.13 million), representing a rise of 8.12% compared with last year, which mainly arose from the securities investment and trading.

The Group's loss attributable to equity holders of the Company approximately HK$66.24 million (2007: profit of HK$97.39 million), a sharp decrease of 1.68 times from last year. The loss per share for the year ended 31st December, 2008 was 30.9 HK cents (2007: earnings per share of 43.8 HK cents), a decrease of 1.71 times over last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2008, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$29.74 million (2007: HK$93.58 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2008, the Group had total borrowings of HK$22.71 million (2007: HK$26.65 million) of which HK$5.92 million (2007: HK$9.01 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

GEARING RATIO AND CURRENT RATIO

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2008 decreased to 7.52% (2007: 8.12%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2008 declined to 3.54 (2007: 7.55). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

In January 2008, 968,348 share options out of a total 2,118,348 granted in 2005 and 2006 were exercised.

On 2nd February, 2008, ordinary resolutions were duly passed at the extraordinary general meeting of the Company in relation to the acquisition of the advertising and development of background music equipment businesses from Allied Wealth Holdings Limited (the "Allied Wealth") by the Company through a wholly-owned subsidiary, Golden Star Investment Limited (the "Golden Star") and the issue and allotment of the 20,000,000 new shares of the Company to the Allied Wealth as part of the consideration payable under the sale and purchase agreement dated 2nd January, 2008.

In the annual general meeting held on 30th May, 2008, shareholders of the Company approved the issue of bonus shares by way of capitalization of the sum of HK$1,514,189.43 from the share premium account that based on 151,418,943 ordinary shares of HK$0.01 each issued by the Company, one bonus share to be issued for every one ordinary share each held by such shareholders on 30th May, 2008.

During the year, due to the exercise of share option, issue of consideration shares and bonus shares, the total issued share capital of the Company was increased from 130,450,595 shares to 302,837,886 shares. Movements of the Company's issued share capital during the year were shown as follows:–

	Number of shares
At 1st January, 2008	130,450,595
Exercise of share option	968,348
Issue of consideration shares	20,000,000
Issue of bonus shares	151,418,943
At 31st December, 2008	302,837,886

PLEDGE OF ASSETS

At 31st December, 2008, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK$80.4 million (2007: HK$92.7 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK$278.4 million (2007: HK$280.4 million).

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign fluctuation during the year.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2008, the Company is contingently liable for guarantee issued to a bank in respect of a property mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK$17,599,510 (2007: HK$18,364,788).

In the opinion of the directors, the fair value of the financial guarantee contract is insignificant. Accordingly, no value has been recognised in the consolidated financial statements.

Capital Commitments

At 31st December, 2008, the Group had no significant capital commitments (2007: RMB38 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2nd January, 2008, Golden Star, Allied Wealth, Mr. Sin Kwok Lam and the Company entered into a conditional sale and purchase agreement. Pursuant to which Golden Star has conditionally agreed to acquire and Allied Wealth has conditionally agreed to sell the entire issued share capital of Wealth Trend Investment Limited ("Wealth Trend") at an aggregate consideration of HK$32,691,772. After that, the Company entitled to the entire issued capital of Wealth Trend, which in turn holds 65% equity interest of Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR"), a sino-foregin equity joint venture established in PRC.

On 6th October, 2008, the Company disposed 10.83% equity interest in Golife Concepts Holdings Limited ("Golife") to Best China Limited, Dore Holdings Limited and In Achieve Investments Limited for a total consideration of approximately HK$5.97 million. On 9th October, 2008, the Company sold the convertible bonds in the principle amount of HK$7,000,000 issued by Golife to Ms. Chan Mei Sau Teresina at a consideration of HK$7,000,000. After that, the Company no longer held any interests in Golife.

On 14th October, 2008 Wealth Trend acquired 10% and 20% equity interest of GMR from Mr. Wang Hong Quan and Beijing Jie Yang at an aggregate consideration of RMB7,500,000 by entering into the Equity Transfer Agreements. On 14th October, 2008, Subscription and Shareholders' Agreement entered into among (i) Golden Star, (ii) Maxi Wealth Investments Limited; (iii) Mr. Wang Hong Quan; (iv) Ms. Dong Shumei and (v) Mr. Yang Xiang Dong and Wealth Trend pursuant to which, inter alia, the subscribers agreed to subscribe for a total of 8,567,265 shares of HK$1.00 each in the capital of Wealth Trend. After that, Golden Star held 68.43% equity interest of Wealth Trend and Wealth Trend held 95% equity interest of GMR.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2008, the Group had approximately 330 employees in Hong Kong and PRC (2007: 400 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2,300,000 (2007: 2,118,348) share options outstanding under the share option scheme as at 31st December, 2008.

BUSINESS REVIEW AND PROSPECTS

Information Technology Holdings

Chinasoft International Limited ("Chinasoft") (stock code: 354) is an associate of the Group and its listing has been migrated from the Main Board to the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited effective on 17th December, 2008. Chinasoft has reported a profit attributable of equity holders of Chinasoft of RMB63.34 million for the year ended 31st December, 2008 (2007: RMB115.45 million) representing a decline of 45% from that of last year whereas turnover grew from RMB811.55 million in 2007 to RMB983.37 million in 2008 representing a rise of 21% compared with last year.

During the year, Chinasoft had advanced its practice of unique business mode by adhering to its fundamental principle of "Consolidation of resource in leading verticals, innovation through interaction" so as to further integrate the competitive advantages of Chinasoft existing industry solution business and IT outsourcing services business.

The strategic development goal of the Company is to become a leading integrated IT service provider principally engaged in solution and software outsourcing. In light of the huge growth potential in the IT service industry of the PRC, Chinasoft will capitalise its edges to capture new business opportunities in 2009 by rationalising management, strengthening cost control and proactively expanding the domestic and international markets.

Entertainment Holdings

Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR")

After share restructure during the year, the Company holds 68.43% equity interest of Wealth Trend, which in turn holds 95% equity interest of GMR. The principal business activities of GMR are provision of background music and music licensing service related business. For the year ended 31 December 2008, GMR achieves a turnover of HK$1.42 million and incurs a net loss of HK$27.55 million.

GMR is a background music service provider for all public and commercial area in the PRC. It has an exclusive partnership with MCSC (the Music Copyright Society of China) to provide value added services to all public area in China which broadcasts background music. This is a new and unique industry with great potential. GMR is still at its early stage and the Group has great confidence in its future development.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan")

During the year, Beijing Kailan has recorded a turnover of approximately RMB84.07 million (2007: RMB75.23 million) representing a rise of 11.75% over that of 2007 and net loss of RMB98,000 (2007: net loss RMB4.62 million) representing an improvement over that of 2007. The price of aviation fuel reached new highs in July 2008 though prices fell significantly towards the end of 2008, the impact on the aviation industry is still lingering.

Demand for the Beijing Kailan's services are expected to remain promising notwithstanding the impact of financial turmoil on the aviation industry. Aircraft maintenance and repairings are required even during down cycle of the industry. Therefore, it is expected that Beijing Kailan's business will continue to have steady growth in the year of 2009.

Industries

The Group's manufacturing operations, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited ("Jiangsu Bang Bang"), 51% subsidiary of the Company. Jiangsu Bang Bang recorded a turnover approximately of HK$20.41 million (2007: HK$27.71 million) representing 26% decrease comparing with 2007 and a net profit of HK$83,000 (2007: loss of HK$376,000) representing slight improvement comparing with 2007. The continuous inflation in Renminbi exerted pressures on general expenses, the new PRC labour law launched in January 2008 gave additional pressure to labour costs and the uprising oil and coal prices largely increased the fuel costs. On top of these, the outbreak of the US subprime crisis has grown into a global financial tsunami which had high negative impact to the global economy and the consumer markets, affecting the purchase orders from the export customers.

It is anticipated that the global trading environment will remain tough and difficult. The macro uncertainty triggered by the global financial tsunami continues to haunt the textile and garment industry. In view of all these challenges, the Jiangsu Bang Bang will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness.

Financial services

First Credit Limited ("First Credit") is a wholly-owned subsidiary of First Holdings Consortium Limited, which the Group holds approximately 12.2% equity interest. The principal business activities include mortgage loan, SME business loan, securities mortgage and project financing as well as personal loan. In additions, First Credit has developed a strong branch network throughout Hong Kong. First Credit has reported a turnover of approximately HK$49 million and net profit of HK$17 million for the year ended 31st December 2008. Furthermore First Credit has planned to go public in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in the year of 2009.

It is expected that the economic outlook in Hong Kong is anticipated to be challenging in view of the uncertainties in the global economic situation and increasing inflation pressure. With the downtrend in the property and capital markets, demand for consumer finance is expected to increase. Under this operating environment, First Credit will take a conservative approach to capture new market segment and grow its portfolio. At the same time, First Credit will closely monitor its portfolio for possible deterioration of credit quality.

Property Division

The Group has recorded a loss of HK$0.54 million from decrease a fair value of its investment properties. The financial tsunami stemming from sub-prime mortgage defaults in the United States started to take its toll on the global economy and Hong Kong, as a highly externally oriented economy, was not spared. In the latter half of 2008, the volume of property transactions in Hong Kong reduced substantially, with end-users and investors (including those from the mainland and overseas) becoming much more cautious amid concern for rising unemployment and a slumping economy in the territory.

OUTLOOK

The U.S. financial tsunami has driven the world into recession and under such circumstances, the directors have taken a cautious approach in managing the Group's operations and investments in the future. However, risks always are accompanied by opportunities as well. The directors will focus on identifying opportunities to make positive changes in the year ahead and continue finding its ways to enhance long-term growth and future success.

PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2008.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2008, with deviations from code provision A.1.1 and A.4.1 of the Code in respect of the service term and rotation of Directors.

Under code provision A.1.1 of the Code, the Board should meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. However, only two Board meetings had been held during the year since each Director is travelling too heavily to uphold this requirement. In view of good corporate governance practices, the Board will meet regularly and hold at least four Board meetings in the forthcoming year.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and the Managing Director, Mr. Duncan Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company's website at www.feholdings.com.hk.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements. The Audit Committee comprises three independent non-executive directors, namely, Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang and one non-executive director, Mr. Derek Chiu.

By order of the Board
Duncan Chiu
Managing Director and Chief Executive Officer

Hong Kong, 29th April, 2009

As at the date of this announcement, the Board comprises eleven directors, of which three are executive Directors, namely Deacon Te Ken Chiu, J.P., Mr. Duncan Chiu and Mr. Dennis Chiu, five are non-executive Directors, namely Tan Sri Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; three are independent non-executive Directors, namely Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang.